GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:812
ANSWERED ON:25.07.2003
DEBT-SWAP SCHEME
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Will the Minister of FINANCE be pleased to state:

(a) whether the budget has introduced a debt-swap scheme to facilitate States repay their high cost debt that would enable them to save an estimated Rs.81,000 crore in interest;

(a) if so, the schemes that have been initiated to help the Karnataka State in this regard;

(c) the total amount owned by the Karnataka State to the Centre;

(d) the concessions provided to the State;

(e) by what time the clearance of these debt-swap scheme will be completed in the State of Karnataka; and

(f) the steps the Government have taken to help the Karnataka State to clear the debt?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a) & (b): In the Budget Speech of 2002-03, it was proposed that the State Governments would be enabled to pre-pay their high cost debt of the past from the additional resources of small savings transferred to the State Governments, at lower rates of interest. Accordingly, Government of India formulated the Debt Swap Scheme in 2002-03 in which Government of Karnataka also participated.

As per the scheme 20% of Net Small Savings Loans payable to States from September have been used to prepay outstanding Government of India loans. This has been supplemented by Rs.10,000 crores ofOpen Market Borrowings for achieving the same purpose. In the current year, 30% of Net Small Savings, complemented by Additional Market Borrowings will be used for the swap.In fiscal year 2004-05, the swap will be effected through 40% of Net Small Savings and Additional Open Market Borrowings.

(c) & (d): Total amount of outstanding loan owed by Karnataka against Ministry of Finance as on 31.03.2002 was Rs.11,651.46 crores. Out of this, high cost loans of Rs.831.02 crores have been swapped during 2002-03.

(e) to (f): The scheme envisages that over a three years period ending 2004-05, all State loans to the Government of India bearing coupons of 13% and above would be swapped. The Scheme will restrain the debt build up of States through the small savings loans. Further, the Medium Term Fiscal Reforms Programme (MTFRP) of Karnataka aims at bringing their debt to sustainable level. Government of India has also issued the instructions for streamlining of borrowings by States under Article 293(3) of the Constitution.